

Finding #1 County Code bidding and quotation requirements were not always followed.

A total \$3,613,526.14 paid to 92 vendors in 1998 for 1018 orders was reviewed for compliance with the County Code price bidding and quotation requirements. Of this total \$2,204,504.97 referenced 35 orders over \$10,000 which required formal bids, and \$182,630.14 referenced 31 orders between \$4,000 and \$10,000 requiring three documented price quotations.

- Although required, no formal bids were obtained for payments made totaling \$382,025.26 (17% of orders requiring bids) which referenced 18 orders (51%).
- Payments totaling \$597,034.83 (25% of orders requiring bids or quotes) referenced 14 orders (21%) that were claimed to fall under a bidding exemption under the County Code. These exemptions were incorrectly applied.
- Payments totaling \$56,760.24 (30% of orders requiring quotes) referenced 9 orders (28%), each which exceeded \$4,000 and required 3 documented price quotes. Quotes were either not obtained, or not properly documented.
- Payments totaling \$27,748.00 (15% of orders requiring quotes) referenced 5 orders (16%) which had 3 quotes on file, however there was no documentation to support selecting the highest quote.

Finding #2 Internal controls over purchasing were inadequate.

- No formal manual or policy for purchasing existed for the Center. There was no computerized or manual purchasing system in place; therefore, there was no purchase journal, no open purchase order file for encumbrances, and no tracking of purchase orders issued. Materials Management personnel handed out blank purchase orders in bulk and did not track when or if the purchase orders were used.
- Each department within the Geriatric Center was authorized by the Administrator to make purchases. A list of 48 people authorized to execute purchases was provided, and based on testing, this list was incomplete. These individuals were not completely trained in purchasing controls, rules, or regulations.
- There was an overall lack of understanding of the essential elements necessary in the negotiation, placement and documentation of purchases. For example, purchase orders were not required for payment of invoices; therefore, purchase orders were not always prepared, nor did they match the invoices. Purchase orders: did not include payment or freight terms, were not properly totaled, listed only some or none of the prices and/or items being purchased, were not compared against shipping and invoice documents, were not dated, were not signed, etc.. See the support for this finding for a complete list of purchase order exceptions.

Finding #3 Internal controls over contracts were inadequate.

- Approval by the Board of Commissioners for \$223,007 in change orders for construction related projects was not obtained.
- Agreements were not done for non constructions projects totaling \$120,811.
- Payments totaling \$80,155 were made on expired contracts.
- Agreements could not be located for \$101,964 in contracts.
- Contract salaries/fees for \$15,188 were unclear or not negotiated.
- Contracted prices and terms were not verified to invoiced prices resulting in overpayments of \$704.
- The contract with Nutrition Management Service was not followed.
- Formalized policies and procedures were not established to define the relationship and flow of information between the BVGC and Heritage Valley Health Systems. The BVGC did not assure that procedures were established and adhered to certifying the following:

-General guidelines such as authorized personnel, type and dollar volume of allowable purchases

-Compliance with county code quote and bid requirements for purchases over \$4,000 and \$10,000

- Which nonprofit hospital service association contracts were in use when County Code exemptions were claimed
- Periodic audits of contract pricing and pass through invoicing were performed by BVGC personnel
- Documentation requirements for receipt verification used for invoice payment purposes for drop shipments, and those picked-up from the Medical Center
- Notification of change orders, especially for all price changes
- Record retention requirements of original documentation
- The contract to provide the supplies and process the corresponding insurance reimbursements related to Federal Medicare Part B for urological, tracheostomy, ostomy, and enteral feedings did not state the BVGC's responsibility with regard to reimbursements for residents without medical coverage or for products not covered by Medicare Part B. Also, controls were inadequate for the verification of these billings.

Finding #4 Follow up to ensure that credits were received was inadequate.

- No center wide policies and procedures were in place to ensure that credits were received for returned merchandise or to ensure that invoice adjustments were received.

Finding #5 There was a lack of segregation of duties.

- Opportunities existed whereby an employee could create the purchase order (multiple people have the authority to purchase), receive the merchandise (not all items were checked in through the receiving dock), and authorize the payment (accounts payable personnel only looked for a signature on the invoice for payment purposes).

Finding #6 No independent detail testing was performed for expenditures approved by Nutrition Management Services.

- Authority for purchasing was given to an outside contractor who purchased dietary items for the Center (costing approximately 1.4 million dollars in 1998) without detail reviews being performed. Upon the auditor performing a detail review it was found that:
 - Contracted prices for bread bid through the County were not verified to invoiced prices, an agreement was not on file for loaning a computer system, and a rental agreement was not done for a vending machine.

- Nutrition Management Services did not follow established BVGC procedures: vendors were qualified and orders were placed without all required documents obtained and errors were detected when performing procedures on price comparisons.
- There were a lack of controls over purchase orders.
- There was a lack of segregation of duties.
- There was no records retention policy in place.
- Double payments were made and a non Geriatric Center invoice was processed for payment.
- Shipping documents were signed prior to orders being examined, and items received in Dietary were not compared to purchase orders.